

WOODBINE MUNICIPAL LIGHT & POWER

FINANCIAL STATEMENTS

JUNE 30, 2012

WOODBINE MUNICIPAL LIGHT & POWER
WOODBINE, IOWA
JUNE 30, 2012

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WOODBINE MUNICIPAL LIGHT & POWER

OFFICIALS

JUNE 30, 2012

<u>NAME OF OFFICIAL</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Donald Kenkel	Trustee - Chairman	2017
Charles H. Warner, Jr.	Trustee	2015
Jean Clark	Trustee	2013
Christopher Waite	Superintendent	
Theresa Corrin	Office manager	

DEAN M. BROICH, P.C.
CERTIFIED PUBLIC ACCOUNTANT

2835 S. 132nd Street
Omaha, Nebraska 68144
(402) 829-0121
FAX (402) 697-9096

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

I have audited the accompanying financial statements of Woodbine Municipal Light & Power, a component unit of the City of Woodbine, Iowa, as of and for the fiscal years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of Woodbine Municipal Light & Power's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1A, the accompanying financial statements present only the Woodbine Municipal Light and Power Fund and do not purport to, and do not, present fairly the net position of the City of Woodbine, Iowa, as of June 30, 2012 and 2011, and the changes in its net position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Woodbine Municipal Light & Power Fund of the City of Woodbine, Iowa as of June 30, 2012 and 2011, and the changes in net position and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 25, 2012, on my consideration of the Woodbine Municipal Light & Power Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's discussion and analysis is not required to be part of the basic financial statements, but is necessary to supplement the basic financial statements according to accounting principles generally accepted in the United States of America. Woodbine Municipal Light & Power has not presented management's discussion and analysis in these financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodbine Municipal Light & Power Fund's financial statements taken as a whole. The accompanying supplementary information on pages 18 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements of the Woodbine Municipal Light & Power Fund taken as a whole.



Certified Public Accountant

Omaha, Nebraska
July 25, 2012

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF NET POSITION
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Capital assets - net of depreciation	\$ 728,235	\$ 735,528
Special purpose funds:		
Customer deposits	11,264	10,622
Natural gas deposits	10,060	10,711
Total special purpose funds	<u>21,324</u>	<u>21,333</u>
Current assets:		
Cash	236,364	175,483
Receivables	151,925	144,219
Inventories	49,483	47,520
Certificates of deposit	555,000	552,733
Unbilled usage	46,603	45,354
Accrued interest receivable	434	670
Prepaid insurance	15,709	14,927
Total current assets	<u>1,055,518</u>	<u>980,906</u>
Total assets	<u>\$ 1,805,077</u>	<u>\$ 1,737,767</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable - trade	\$ 26,438	\$ 15,434
Accrued vacation and leave	29,098	26,356
Total current liabilities	<u>55,536</u>	<u>41,790</u>
Long-term liabilities:		
Natural gas and customer deposits payable	24,190	24,013
Total liabilities	<u>79,726</u>	<u>65,803</u>
Net position:		
Investment in capital assets, net of related debt	728,235	735,528
Net position - restricted	-	-
Net position - unrestricted	997,116	936,436
Total net position	<u>1,725,351</u>	<u>1,671,964</u>
Total liabilities and net position	<u>\$ 1,805,077</u>	<u>\$ 1,737,767</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Current use charges	\$ 1,249,066	\$ 1,241,281
Other operating revenues	19,503	6,390
Miscellaneous and rentals	676	1,576
Total operating revenues	<u>1,269,245</u>	<u>1,249,247</u>
Operating expenses:		
Cost of power	797,223	800,739
Distribution expenses	148,131	148,032
Accounting and collection	75,594	69,542
Administrative	154,101	147,050
Depreciation	46,135	48,254
Total operating expenses	<u>1,221,184</u>	<u>1,213,617</u>
Operating income	<u>48,061</u>	<u>35,630</u>
Non-operating revenues (expenses):		
Interest income	4,790	5,854
Penalties and late fees	6,497	6,319
Gain on sale of assets	-	3,071
Sales of materials and equipment	653	534
Miscellaneous income	100	200
Interest expense	(214)	(213)
Total non-operating revenues (expenses)	<u>11,826</u>	<u>15,765</u>
Changes in net position before transfers	59,887	51,395
Transfers from City of Woodbine Water Fund	43,806	39,848
Transfers to City of Woodbine Water Fund	(43,806)	(39,848)
Transfers to City of Woodbine Water Fund	-	(33,009)
Transfers to Woodbine Mainstreet Chamber	<u>(6,500)</u>	<u>(6,000)</u>
Changes in net position	53,387	12,386
Net position, beginning of year	<u>1,671,964</u>	<u>1,659,578</u>
Net position, end of year	<u><u>\$ 1,725,351</u></u>	<u><u>\$ 1,671,964</u></u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Cash received from customers	\$ 1,240,356	\$ 1,239,969
Cash payments to suppliers	(987,976)	(1,002,458)
Cash payments to employees	(175,895)	(164,457)
Other revenues	20,179	7,966
Net cash provided by operating activities	<u>96,664</u>	<u>81,020</u>
Cash flows from noncapital financing activities:		
Transfers from City	43,806	39,848
Transfers to City	(43,806)	(72,857)
Transfers to Woodbine Mainstreet Chamber	(6,500)	(6,000)
Non-operating revenues - net	7,250	7,053
Net cash provided (used) by noncapital financing activities	<u>750</u>	<u>(31,956)</u>
Cash flows from capital and financing activities:		
Interest expense	(214)	(213)
Net cash used by capital and financing activities	<u>(214)</u>	<u>(213)</u>
Cash flows from investing activities:		
Purchases of investments and certificates of deposit	(1,111,802)	(907,293)
Proceeds from investments and certificates of deposit	1,109,535	879,560
Purchases of equipment	(38,842)	(47,344)
Interest on investments	4,790	5,854
Net cash used by investing activities	<u>(36,319)</u>	<u>(69,223)</u>
Net increase (decrease) in cash	60,881	(20,372)
Cash, beginning of year	175,483	195,855
Cash, end of year	<u>\$ 236,364</u>	<u>\$ 175,483</u>

SCHEDULE OF NET CASH FROM OPERATING ACTIVITIES

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 48,061	\$ 35,630
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	46,135	48,254
Gain on sale of assets	-	3,071
Changes in assets and liabilities:		
Receivables	(7,706)	(2,101)
Accrued interest receivable	236	1,145
Inventories	(1,963)	(4,043)
Unbilled usage	(1,249)	(2,883)
Prepaid insurance	(782)	2,168
Deposits	9	(544)
Accounts payable	11,004	(3,436)
Accrued vacation and leave	2,742	3,031
Customer deposits	177	728
Net cash provided by operating activities	<u>\$ 96,664</u>	<u>\$ 81,020</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	\$ 1,338,200	\$ 1,240,297	\$ (97,903)
Other operating revenue	9,000	19,503	10,503
Miscellaneous and rentals	1,000	676	(324)
Total operating revenues	<u>1,348,200</u>	<u>1,260,476</u>	<u>(87,724)</u>
Operating expenses:			
Cost of power	863,348	797,223	(66,125)
Distribution expenses	202,582	139,090	(63,492)
Accounting and collections	80,365	75,594	(4,771)
Administration expenses	208,250	152,141	(56,109)
Total operating expenses	<u>1,354,545</u>	<u>1,164,048</u>	<u>(190,497)</u>
Operating income (loss)	<u>(6,345)</u>	<u>96,428</u>	<u>102,773</u>
Non-operating revenues (expenses):			
Transfers from Woodbine City Water Fund	35,000	43,806	8,806
Transfers to Woodbine City Water Fund	(33,945)	(43,806)	(9,861)
Transfers to Woodbine Main St. Chamber	(6,500)	(6,500)	-
Sale of materials and services	1,000	753	(247)
Penalties and late fees	6,000	6,497	497
Interest income	5,000	5,026	26
Interest expense	(210)	(214)	(4)
Total non-operating revenues (expenses)	<u>6,345</u>	<u>5,562</u>	<u>(783)</u>
Changes in net position	<u>-</u>	<u>101,990</u>	<u>101,990</u>
Adjustments to cash method for budget purposes:			
Net proceeds from investments	-	(2,267)	(2,267)
Purchases of equipment	-	(38,842)	(38,842)
Total adjustments	<u>-</u>	<u>(41,109)</u>	<u>(41,109)</u>
Net increase in cash	<u>\$ -</u>	<u>\$ 60,881</u>	<u>\$ 60,881</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2011		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	\$ 1,190,205	\$ 1,236,481	\$ 46,276
Other operating revenue	8,000	6,390	(1,610)
Miscellaneous and rentals	1,500	1,576	76
Total operating revenues	<u>1,199,705</u>	<u>1,244,447</u>	<u>44,742</u>
Operating expenses:			
Cost of power	787,605	800,739	13,134
Distribution expenses	180,425	155,511	(24,914)
Accounting and collections	79,440	69,542	(9,898)
Administration expenses	160,825	141,851	(18,974)
Total operating expenses	<u>1,208,295</u>	<u>1,167,643</u>	<u>(40,652)</u>
Operating income (loss)	<u>(8,590)</u>	<u>76,804</u>	<u>85,394</u>
Non-operating revenues (expenses):			
Transfers from Woodbine City Water Fund	39,000	39,848	848
Transfers to Woodbine City Water Fund	(40,710)	(39,848)	862
Transfers to Woodbine City Water Fund	(2,000)	(33,009)	(31,009)
Transfers to Woodbine Main St. Chamber	(5,000)	(6,000)	(1,000)
Sale of materials and services	1,500	734	(766)
Penalties and late fees	6,000	6,319	319
Gain on sale of assets	-	3,071	3,071
Interest income	10,000	6,999	(3,001)
Interest expense	(200)	(213)	(13)
Total non-operating revenues (expenses)	<u>8,590</u>	<u>(22,099)</u>	<u>(30,689)</u>
Changes in net position	<u>-</u>	<u>54,705</u>	<u>54,705</u>
Adjustments to cash method for budget purposes:			
Net proceeds from investments	-	(27,733)	(27,733)
Purchases of equipment	-	(47,344)	(47,344)
Total adjustments	<u>-</u>	<u>(75,077)</u>	<u>(75,077)</u>
Net decrease in cash	<u>\$ -</u>	<u>\$ (20,372)</u>	<u>\$ (20,372)</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. Summary of Significant Accounting Policies

Woodbine Municipal Light & Power has operated as an independent entity since 1941 and is governed by a three member Board of Trustees appointed by the Mayor of Woodbine, Iowa. The Utility provides power and electricity to residential and commercial customers in Woodbine, Iowa and the surrounding community.

A. Reporting Entity

Criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those offices and activities over which the Board of Trustees exercises oversight responsibility are included in these financial statements. Manifestations of oversight responsibility over an entity include: (1) financial interdependence, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Woodbine Municipal Light & Power has been identified as a component unit of the City of Woodbine, Iowa. Woodbine Municipal Light & Power provides billing and collection services for water, sewer, gas and landfill charges for the City of Woodbine. However, these amounts have been eliminated for financial statements purposes. These financial statements do not reflect any activity or transactions of the City of Woodbine and do not present consolidated information.

B. Fund Accounting

The Utility, for financial statement purposes, includes the funds and operations applicable to Electric and Power services only. All financial activity is accounted for in a single enterprise fund. The intent of the governing body is that all acquisitions, operations and maintenance (including depreciation) of facilities and services to the general public on a continuing basis be financed or recovered primarily by user charges.

C. Measurement Focus and Basis of Accounting

Woodbine Municipal Light & Power maintains its accounting records on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Woodbine Municipal Light & Power applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB), as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Operating revenues and expenses generally result from providing electric and power services, and maintaining and delivering goods and services in connection with ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012

1. Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting - continued

At June 30, 2012 and 2011, management considered accounts receivable to be fully collectible and, therefore, these financial statements do not contain an allowance for doubtful accounts.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget. The budget of the Utility is submitted with that of the City of Woodbine following required public notice and hearing. Budgetary information is presented on the cash basis, which is in conformity with the budgetary requirements for the Code of Iowa.

E. Deposits and Certificates of Deposit

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates are covered entirely by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Accordingly, Woodbine Municipal Light and Power had no investments meeting the risk categorization disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

F. Inventories

Inventories consist of materials and supplies, and are valued at the lower of cost or market, based on the (FIFO) first in, first out basis.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Utility considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents. Natural gas and customer deposit accounts are not considered cash equivalents. Cash investments not meeting the definition of cash equivalents include certificates of deposits amounting to \$555,000 and \$552,773 at June 30, 2012 and 2011, respectively.

H. Capital Assets

Capital assets consist of land, capital assets and accumulated depreciation. Woodbine Municipal Light & Power does not maintain a formal capitalization policy. Generally, costs for capital assets, new plant, distribution, or substation systems with estimated useful lives of five years or more are capitalized and depreciated over the estimated useful life. Repairs and replacements of existing systems and assets with estimated useful lives of less than five years are expensed as incurred. Costs and accumulated depreciation on capital assets sold, retired or no longer in service are deducted from the respective asset and accumulated depreciation accounts, and any gain or loss is recognized at that time. Construction period interest, if any, is not capitalized.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012

1. Summary of Significant Accounting Policies - continued

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Off Balance Sheet and Concentration of Credit Risk

The Utility's receivables are due from residential and commercial customers for providing electric and power service. None of the receivables are collateralized. The Utility's cash and investments are currently maintained at one local depository institution. To date, these concentrations of credit risk have not had an effect on the results of operations of the Utility.

K. Compensated Absences

Utility employees accumulate vacation and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are recognized and accrued when earned. Sick leave is also accrued; however, sick leave is not paid upon termination, retirement or death. Amounts accrued are computed based on rates of pay in effect at June 30, 2012 and 2011, respectively.

L. Reclassifications

Certain amounts in the June 30, 2011 financial statements have been reclassified to conform to the June 30, 2012 presentation. Such reclassifications had no effect on changes in net position as previously reported.

2. Deposits and Investments

The Utility is authorized to invest public funds in interest bearing accounts at any bank, savings and loan association, or credit union, in the State of Iowa, which is approved by the State Treasurer and properly declared as a depository by the Board of Trustees; obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees, Iowa Public Agency Investment Trust and certain other investments with prior approval by the Board of Trustees.

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates at June 30, 2012 and 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility had no investments meeting the risk categorization disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012

3. Property and Equipment

Property and equipment are stated at historical cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Buildings, plant and distribution systems are depreciated over 40 years, whereas equipment is generally depreciated over 5 - 10 years.

	June 30, 2012			
	Balance 06/30/11	Additions	Retirements & Disposals	Balance 06/30/12
<u>Property and Equipment</u>				
Land	\$ 15,250	\$ -	\$ -	\$ 15,250
Buildings and plant	176,271	10,884	-	187,155
Distribution system	1,444,837	7,316	-	1,452,153
Equipment	<u>249,502</u>	<u>20,642</u>	<u>20,467</u>	<u>249,677</u>
Totals	<u>\$1,885,860</u>	<u>\$ 38,842</u>	<u>\$ 20,467</u>	<u>\$ 1,904,235</u>

	June 30, 2012			
	Balance 06/30/11	Depreciation	Retirements & Disposals	Balance 06/30/12
Accumulated Depreciation				
Buildings and plant	\$ 135,794	\$ 2,353	\$ -	\$ 138,147
Distribution system	838,078	27,699	-	865,777
Equipment	176,460	16,083	20,467	172,076
Totals	\$1,150,332	\$ 46,135	\$ 20,467	\$ 1,176,000

	June 30, 2011			
	Balance 06/30/10	Additions	Retirements & Disposals	Balance 06/30/11
<u>Property and Equipment</u>				
Land	\$ 15,250	\$ -	\$ -	\$ 15,250
Buildings and plant	176,271	-	-	176,271
Distribution system	1,397,493	47,344	-	1,444,837
Equipment	<u>267,025</u>	<u>-</u>	<u>17,523</u>	<u>249,502</u>
Totals	<u>\$1,856,039</u>	<u>\$ 47,344</u>	<u>\$ 17,523</u>	<u>\$ 1,885,860</u>

	June 30, 2011			
	Balance 06/30/10	Depreciation	Retirements & Disposals	Balance 06/30/11
<u>Accumulated Depreciation</u>				
Buildings and plant	\$ 133,508	\$ 2,286	\$ -	\$ 135,794
Distribution system	806,376	31,702	-	838,078
Equipment	179,717	14,266	17,523	176,460
Totals	<u>\$1,119,601</u>	<u>\$ 48,254</u>	<u>\$ 17,523</u>	<u>\$ 1,150,332</u>

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012

4. Pension and Retirement Benefits

Woodbine Municipal Light & Power contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members were required to contribute 5.38% of their annual covered salary and Woodbine Municipal Light & Power is required to contribute 8.07% of annual covered payroll through June 30, 2012. Contribution rates and requirements are established by state statute. Woodbine Municipal Light & Power's required contribution to IPERS for the years ended June 30, 2012 and 2011 amounted to \$16,604 and \$13,237, respectively.

5. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, Woodbine Municipal Light & Power annually adopts a budget on the cash basis of accounting, following required public notice and hearing. Accordingly, budget to actual comparisons are presented on a "non-GAAP budgetary – cash basis" in the accompanying financial statements. The adjustments necessary to reconcile the differences between the cash and accrual accounting methods are as follows:

	<u>2012</u>	<u>2011</u>
Changes in cash – budgetary basis	\$ 60,881	\$ (20,372)
Depreciation expense	(46,135)	(48,254)
Net increase in investments	2,267	27,733
Purchases of equipment	38,842	47,344
Increase (decrease) in:		
Accounts receivable	7,706	2,101
Inventory	1,963	4,043
Unbilled usage	1,249	2,883
Accrued interest receivable	(236)	(1,145)
Prepaid insurance	782	(2,168)
Customer deposits	(9)	544
(Increase) decrease in:		
Accounts payable	(11,004)	3,436
Accrued expenses	(2,742)	(3,031)
Customer deposits	(177)	(728)
Changes in net position – GAAP basis	<u>\$ 53,387</u>	<u>\$ 12,386</u>

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012

6. Related Party Transactions

The Woodbine Municipal Light and Power Fund provided labor and related costs and benefits to the City of Woodbine Water Fund. These expenses are reimbursed 100% by the City of Woodbine Water Fund and are reported as transfers and amounted to \$43,806 and \$39,848 for the fiscal years ended June 30, 2012 and 2011, respectively.

During the fiscal year ended June 30, 2011, the Woodbine Municipal Light and Power Fund also transferred \$33,009 to the City of Woodbine Water Fund to pay off the net remaining balance of a tractor and bucket traded by the City of Woodbine Water Fund. This amount is reported a transfer to the City of Woodbine Water Fund.

The Woodbine Municipal Light and Power Fund also provides electricity, file maintenance, meter reading, billing, collection and other various operating and office expenses to the City of Woodbine Water Fund. These expenses are reimbursed 100% by the City of Woodbine Water Fund and are reported as other operating revenues and operating expenses and amounted to \$19,503 and \$6,390 for the fiscal years ended June 30, 2012 and 2011, respectively.

Amounts due to the Woodbine Municipal Light and Power Fund from the City of Woodbine Water Fund are included in receivables and payables, and amounted to \$3,785 and \$4,401 for the fiscal years ended June 30, 2012 and 2011, respectively.

7. Net Position

Net position generally consists of the following three categories:

Net position invested in capital assets, net of related debt - are capital assets, net of accumulated depreciation, reduced by related outstanding notes, bonds, or other debt.

Restricted net position – are net assets which result when constraints or restrictions are placed on the use of net assets. The restrictions are generally imposed by external lending sources or by law.

Unrestricted net position - are those assets not meeting the definitions of the two preceding categories. Reservations of unrestricted net assets may be imposed by management; however, reservations do not restrict net assets in any manner.

8. Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Woodbine Municipal Light & Power assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks, if any, have not exceeded commercial insurance coverage in any of the past three fiscal years.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012

9. Joint Ventures

Woodbine Municipal Light & Power is a participant in the Missouri Basin Electric Cooperative Association (MBMECA), a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative (NIPCO). NIPCO constructed the power lines, and there are no dedicated lines. There is an agreement which guarantees Woodbine Municipal Light & Power the right to draw power over the lines at a raw power cost without transmission charges. The Utility shares the joint venture with twelve other municipalities and the percentage of ownership varies from year to year. The Utility cannot recover any investment from MBMECA unless authorized by MBMECA, or if MBMECA ceases operations. In addition, the financial statements of the joint venture are kept on, and are audited on, a calendar year basis, and therefore are not comparable to the Woodbine Municipal Light & Power Fund's June 30 fiscal year end. Accordingly, the investment in the joint venture is not reflected as an asset in these financial statements. Payments by Woodbine Municipal Light & Power to MBMECA amounted to \$63,477 and \$56,343 for the fiscal year ended June 30, 2012 and 2011, respectively.

DEAN M. BROICH, P.C.
CERTIFIED PUBLIC ACCOUNTANT

2835 S. 132nd Street
Omaha, Nebraska 68144
(402) 829-0121
FAX (402) 697-9096

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

I have audited the accompanying financial statements of the Woodbine Municipal Light & Power Fund, a component unit of the City of Woodbine, Iowa, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Woodbine Municipal Light & Power Fund's financial statements and have issued my report thereon dated July 25, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Woodbine Municipal Light & Power Fund's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Woodbine Municipal Light & Power Fund's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Woodbine Municipal Light & Power Fund's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Woodbine Municipal Light & Power Fund's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in the Woodbine Municipal Light & Power Fund's internal control described in the accompanying Schedule of Findings to be material weaknesses.

Internal Control Over Financial Reporting – continued

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings to be a significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Woodbine Municipal Light & Power Fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Woodbine Municipal Light and Power Fund's operations for the fiscal year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Woodbine Municipal Light and Power Fund. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Woodbine Municipal Light and Power Fund's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on Woodbine Municipal Light and Power's responses, I did not audit the Woodbine Municipal Light and Power Fund's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the Board of Trustees, management and employees, and other parties to which the Woodbine Municipal Light and Power Fund may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the courtesies and assistance extended to me during the audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you.


Certified Public Accountant

Omaha, Nebraska
July 25, 2012

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Distribution expenses:		
Wages	\$ 68,701	\$ 65,450
FICA	5,016	4,815
IPERS	5,060	4,154
Contract labor	2,465	2,305
Equipment	3,472	6,505
Insurance	28,085	21,680
Maintenance materials	18,863	32,736
Miscellaneous	532	669
Purchased services	300	228
Street lights	943	532
Supplies	195	263
Tool purchases	1,554	1,503
Training	570	705
Truck expenses	6,290	4,948
Uniforms	3,176	613
Utilities	2,909	926
Total distribution expenses	<u>\$ 148,131</u>	<u>\$ 148,032</u>
Accounting and collection expenses:		
Wages	\$ 48,804	\$ 45,721
FICA	3,682	3,548
IPERS	3,884	3,224
Contract labor	831	-
Equipment	63	-
Insurance	14,061	12,639
Miscellaneous	110	362
Supplies	4,159	3,748
Training	-	300
Total accounting and collection expenses	<u>\$ 75,594</u>	<u>\$ 69,542</u>

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES - CONTINUED
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Administrative expenses:		
Wages	\$ 53,890	\$ 49,686
FICA	4,549	3,986
IPERS	4,799	3,621
Advertising and legal publications	3,996	4,492
Assessments	5,015	2,860
Audit and accounting	5,375	4,575
Bad debt expense	215	252
Contract labor	3,535	3,335
Dues	30	1,585
Equipment	12,657	10,767
Energy efficiency programs	9,287	15,439
Insurance	25,510	22,210
Legal and engineering	198	4,205
Load management	2,500	-
Maintenance materials	2,322	1,809
Meeting expenses	1,861	1,978
Miscellaneous	1,169	905
Postage	5,613	5,667
Purchased services	241	215
Supplies	961	1,566
Telephone	2,107	1,887
Training	810	613
Truck expenses	2,961	1,797
Trustee fees	4,500	3,600
Total administrative expenses	<u>\$ 154,101</u>	<u>\$ 147,050</u>

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part 1- Findings Related to the Financial Statements:

Internal Control Deficiencies:

- (A) Segregation of Duties - An important aspect of any internal control structure is the segregation of duties among employees to prevent individual employees from handling tasks that are incompatible. I recognize that, because of limited staff, the Utility is not able to segregate all incompatible duties.

Recommendation – I communicated to the Board of Trustees and management the importance of trying to obtain the maximum segregation of duties and the need to make improvements to the control structure where warranted and feasible. Because of this weakness, I communicated to Board of Trustees the importance of their administrative review of financial transactions and reports.

Response – Management and the Board of Trustees are aware of the reasons for the need to segregate incompatible duties where possible and of the need for administrative review. Management and the Board of Trustees will continue to make improvements where possible and will continue to perform administrative reviews of the financial transactions and financial reporting.

Conclusion - Response accepted.

Part II – Instances on Non-Compliance:

No instances of non-compliance were noted.

Part III - Other Findings Related to Required Statutory Reporting:

The following comments about the Woodbine Municipal Light & Power Fund's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Woodbine Municipal Light & Power Fund. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2012.
- (2) Certified Budget – For the year ended June 30, 2012, amounts budgeted for expenditures exceeded actual disbursements, as required by the Code of Iowa.
- (3) Questionable Disbursements - I noted no disbursements that, I believe, may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (4) Travel Expenses – No expenditures for travel expenses of spouses of the Utility's officials or employees were noted.

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

- (5) Business Transactions – No business transactions were noted between the Woodbine Municipal Light & Power Fund and the Utility's Officials, employees, or related parties which would require disclosure.
- (6) Bond Coverages - Surety bond coverage of the Utility's officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- (7) Board Minutes - No transactions were noted that I believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.